

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 101307 / October 11, 2024

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 4532 / October 11, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-22237

In the Matter of

MOOG INC.

Respondent.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, MAKING
FINDINGS, AND IMPOSING A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Moog Inc. (“Moog” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-And-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-And-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

SUMMARY

1. This matter concerns violations of the books and records and internal accounting controls provisions of the Foreign Corrupt Practices Act of 1977 ("FCPA") by Moog Inc., a global provider of technology used in the aerospace and defense markets, through its wholly owned Indian subsidiary, Moog Motion Controls Private Limited ("MMCPL"). Between 2020 and 2022, employees of the subsidiary bribed a variety of Indian foreign officials to win business. These same employees also offered bribes to Indian foreign officials in an attempt to cause public tenders in India to favor Moog's products and exclude competitors.

2. A variety of schemes were used to funnel the improper payments, including through third-party agents and distributors. The improper payments were falsely recorded as legitimate business expenses in Moog's books and records, and the conduct went undetected as a result of deficient internal accounting controls. As a result, Moog was unjustly enriched by approximately \$504,926.

RESPONDENT

3. **Moog Inc.** ("Moog") is a worldwide designer and manufacturer of motion controls systems for a broad range of applications in aerospace, defense, industrial and medical markets. The company has four operating segments: military aircraft, commercial aircraft, space and defense, and industrial. Moog is headquartered in East Aurora, New York and has sales, engineering, and manufacturing facilities in twenty-six countries. Moog's shares trade on the New York Stock Exchange under the ticker symbols "MOG.A" and "MOG.B" and are registered with the Commission pursuant to Section 12(b) of the Exchange Act. Moog files periodic reports, including annual reports on Form 10-K, and quarterly reports on Form 10-Q, with the Commission pursuant to Section 13(a) of the Exchange Act.

OTHER RELEVANT ENTITIES

4. Moog Motion Controls Private Limited ("MMCPL") is a wholly owned subsidiary of Moog that promotes and sells Moog's products in India. MMCPL's financial statements are consolidated with those of Moog.

5. Hindustan Aeronautics Limited ("HAL") is an Indian public sector aerospace and defense company headquartered in Bangalore, India. HAL is fully owned by the Indian government and is part of the Department of Defense Production, Ministry of Defense.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

6. South Central Railway (“SCR”) is one of the Indian railway zones, wholly owned by the Indian government. India’s Railway Board oversees and manages the Indian railroad network, including SCR, and approves policies and projects related to the Indian railways. The Railway Board reports to the Ministry of Railways.

7. Research Design and Standards Organization (“RDSO”) is the research and development organization under the Ministry of Railways of the Indian government, which functions as a technical advisor and consultant to the Railway Board with respect to the design and standardization of railway equipment and problems related to railway construction, operations, and maintenance.

FACTS

South Central Railway Contract

8. Beginning in early 2020, MMCPL sought an award contract with SCR. To be eligible to bid on an SCR project, approval is required by RDSO, SCR’s railway advisor. Historically, MMCPL found it difficult to get on the approved supplier list with RDSO.

9. To get on the RDSO supplier list, and obtain a contract with SCR, the employees used a scheme that involved using third-party Agent A to make bribe payments to SCR officials. Agent A was introduced to them by a third party following a May 2020 discussion of ways to “start working in railways and will find some way out [for SCR] to buy from Moog India.”

10. In July 2020, MMCPL entered into a liaison agreement with Agent A, in which Agent A agreed to assist MMCPL in obtaining business from SCR in exchange for 10% of any contract value.

11. In August 2020, shortly after engaging Agent A, the Moog brand was added to the supplier list for an upcoming SCR tender notice. Agent A’s director relayed that “[f]urther to our pursual [sic] with the [Railway Board] & SCR we are pleased to confirm that Moog brand has been added as an acceptable brand in upcoming SCR tender.” The tender notice listed Moog, along with one additional supplier, as potential suppliers for a specific part in the SCR tender. MMCPL employees discussed engaging in additional misconduct to remove the competitor from the supplier list, stating “my next target would be to remove them from railways.”

12. In September 2020, MMCPL won the SCR contract for \$34,323. In April 2022, Agent A invoiced MMCPL for “commission charges,” which several MMCPL employees knew included the improper payments to government officials to eliminate competition and win contract awards. The payments were falsely recorded as legitimate contractor services.

Hindustan Aeronautics Limited Contract

13. In April 2021, HAL announced a public tender for aerospace actuators. The contract value was over \$1.3 million.

14. By May 2021, MMCPL employees were discussing negotiations around the amount and timing of a bribe payment to a HAL official, with one MMCPL employee explaining that the HAL official is "...asking for 2.5 percent to be given ...or one percent to be given immediately..." The employees further discussed that the bribe payment would require a "maximum of 1.5 percent [payment] and then two .75 percent [payments] ...they will promise that all the three people will be eliminated ..." The employees also noted they would "have to give by cash."

15. Internal discussions continued about the importance of winning the HAL tender and having the HAL official help disqualify the other bidders. "By any means, we must take the order of HAL," and in response, "We need to eliminate everybody other than [a Moog competitor]. For that, we need to make some commitment to [HAL official]."

16. In November 2021, HAL awarded MMCPL a contract valued at \$1,399,328 for parts and services related to the April 2021 contract tender.

17. Various cash generation schemes through inflated and false invoices and connections to other entities were discussed to fund the bribe payment to the HAL official and ultimately the MMCPL finance manager was directed to "Please inform [Distributor B] to raise an invoice on MOOG Sale value can be INR 10 lakhs." Ten lakhs was the amount of the bribe payment agreed upon between MMCPL employees and the HAL official.

18. Pursuant to that directive, in January 2022, Distributor B prepared a fabricated invoice for MMCPL in the amount of INR 1,540,000. The purpose of the invoice was ostensibly for the construction of a specialized table, yet MMCPL never requisitioned the table, and Distributor B never delivered a newly constructed table and was not in fact capable of constructing the table. The sham transaction was used to generate sufficient cash to pay the promised bribe to the HAL government official.

19. In January 2022, an instant message from a MMCPL employee instructed MMCPL's finance manager to "please close [Distributor B] offer ... as he came upfront to help us when we needed it." In March 2022, MMCPL paid Distributor B approximately \$18,614, which was used to make the promised improper payment to the HAL official. The invoice was falsely recorded as a legitimate expense, and falsely booked as a cost under the HAL contract.

Attempts to Improperly Influence Tenders

20. In addition to the SCR and HAL tender bribe schemes, MMCPL employees engaged in several other attempts to rig the tender bidding process for government contracts by seeking to have Indian officials exclude competitors. As part of these efforts, they at times again used Agent A and Distributor B to facilitate in their efforts.

21. In one such attempt involving RDSO, an audio recording notes “three member committee has agreed to remove [competitor] from the list.” Another employee responds, “our agreement with him remains the same [as] what you initially discuss, right?” “Yes, the same 1%.” “I spoke to [Distributor B] and I aligned this without telling him the name of the customer and the person or anything ... we can manage it a little bit smartly so that we don’t want to you know publicize this that we are approved taking this kind of approach.”

22. In connection with a November 2020 tender for SCR, employees noted they “had discussed with [Agent A and] he will try to disqualify” the other bidder.

23. MMCPL employees and HAL officials discussed qualification criteria in advance of additional tenders, noting in one October 2021 instance, “HAL also informed that if we want to add any qualification criteria, same has to be communicated now so that they will look into consideration in formal tender.”

24. MMCPL employees also discussed bribing RDSO officials to eliminate competitors on tenders, and the payment of 1% of the contract award as a bribe. One employee noted his communication with an RDSO Official and the negotiation of the bribe, “I just had a call with that guy, RDSO [Official]... so what he is talking about is one percent of the value...” His colleague indicated he had informed their distributor of the scheme to funnel the payments to RDSO Official.

25. The employees further discussed the details of how the payment would be made by MMCPL, stating, “It could be through invoicing or through one of [the distributor’s] existing contracts. ... so it is not going to be a problem.”

26. Employees freely discussed their misconduct, which reflected a prevailing culture to win business at any cost, including improper means. The widespread misconduct at MMCPL reflected a breakdown in internal accounting controls, training, compliance, and tone at the top of the subsidiary.

LEGAL STANDARDS AND VIOLATIONS

27. Under Section 21C of the Exchange Act, the Commission may impose a cease-and-desist order upon any person who is violating, has violated, or is about to violate any provision of the Exchange Act or any rule or regulation thereunder, and upon any other person that is, was, or would be a cause of the violation, due to an act or omission the person knew or should have known would contribute to such violation.

28. The books and records provisions of the FCPA, Section 13(b)(2)(A) of the Exchange Act, requires every issuer with a class of securities registered pursuant to Section 12 of the Exchange Act or which is required to file reports under Section 15(d) of the Exchange Act, to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect their transactions and disposition of their assets. 15 U.S.C. § 78m(b)(2)(A). As a result of the conduct described above, including falsely recording the improper payments as legitimate business expenses and commissions in its books and records, Moog violated Section 13(b)(2)(A) of the Exchange Act.

29. Section 13(b)(2)(B) of the Exchange Act requires issuers that have a class of securities registered pursuant to Section 12 of the Exchange Act and issuers with reporting obligations pursuant to Section 15(d) of the Exchange Act to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (II) to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. 15 U.S.C. § 78m(b)(2)(B). As a result of the conduct described above, Moog violated Section 13(b)(2)(B) by failing to devise and maintain sufficient internal accounting controls over third-party payments, which allowed these bribery schemes to continue undetected over multiple years.

DISGORGEMENT AND CIVIL PENALTIES

30. The disgorgement and prejudgment interest ordered in Section IV below is consistent with equitable principles and does not exceed Respondent's net profits from its violations, and returning the money to Respondent would be inconsistent with equitable principles. Therefore, in these circumstances, distributing disgorged funds to the U.S. Treasury is the most equitable alternative. The disgorgement and prejudgment interest ordered in Section IV below shall be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

COOPERATION AND REMEDIATION

31. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff. Moog initially reported certain misconduct to DOJ and subsequently provided SEC staff with facts developed during its own internal investigation. Moog's cooperation included identifying and producing key documents and sharing witness statements.

32. Moog's remediation included the termination of employees and third parties involved in the misconduct and enhancing its internal accounting controls over third-party payments. Moog also strengthened its global compliance organization; enhanced its policies and procedures regarding the due diligence process and the use of third parties; increased the frequency of its audits and monitoring of distributor and intermediary activities; mandated management approval for all distributor and reseller agreements; created new positions to address potential risks; and increased training of employees on anti-bribery issues and tender-specific procedures.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent Moog cease and desist from committing or causing any violations and any future violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

B. Respondent shall, within fourteen days of the entry of this Order, pay disgorgement of \$504,926, prejudgment interest of \$78,889, and a civil monetary penalty in the amount of \$1,100,000, for a total payment of \$1,683,815, to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment of disgorgement and prejudgment interest is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600, and if timely payment of a civil money penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

C. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or

- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Moog Inc. as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Tracy L. Price, Deputy Chief, FCPA Unit, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-5631.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary